

NORTH CAROLINA GENERAL ASSEMBLY

LEGISLATIVE FISCAL NOTE

BILL NUMBER: H.B. 1720 (2nd Edition)

SHORT TITLE: **Wilmington Occupancy Tax**

SPONSOR(S):

FISCAL IMPACT					
	Yes (X)	No ()	No Estimate Available ()		
	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>	<u>FY 2006-07</u>
REVENUES					
General Fund	* No General Fund Impact *				
Wilmington/New Hanover Co.	555,208	1,345,825	1,359,283	1,372,876	1,386,605
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Wilmington and New Hanover County.					
EFFECTIVE DATE: When it becomes law. However, the tax cannot become effective until February 1, 2003.					

BILL SUMMARY: If New Hanover County creates a Tourism Development Authority, then the City of Wilmington is authorized to levy a 3% room occupancy tax. The bill applies all the standard provisions regarding the collection of the funds. In addition, the bill instructs New Hanover County to create a convention center account, with the county remitting the net proceeds of the tax to that account. (The bill assumes the county will collect the tax for the City of Wilmington). If at the end of three (3) years the City of Wilmington has not demonstrated to the Tourism Development Authority that all financing and development arrangements for a convention center have been completed, the revenues generated up to that time, the balance in the convention center account are forwarded to the Tourism Development Authority. The Authority is then instructed to use the funds to promote travel and tourism. All future occupancy tax revenues are to flow to the Authority. However, if the City is able to demonstrate within three years, to that satisfaction of the Authority, that all necessary arrangements are complete, the balance in the account will flow to the City of Wilmington to construct and operate a convention center. All future proceeds would also flow to the City for the same purpose, with one exception. If the city of Wilmington does not begin construction on a Downtown Wilmington convention center within one year of receiving the funds in the account, the unspent and uncommitted balance is to revert to the Authority, with all future funds also remitted to the TDA.

ASSUMPTIONS AND METHODOLOGY: It is assumed that the area will not see a decrease in its tourism industry or hotel occupancy rates due to the proposed legislation. The average room rate varies widely in Wilmington based on in and off-season tourism patterns. The proposed occupancy tax is levied against the gross receipt sales, thus revenues throughout the year could rise and fall with the seasonal room rates.

New Hanover County occupancy tax data were gathered from both the UNC-Wilmington Center for Business and Economic Services and the New Hanover County Finance Division. In fiscal year 2001-2002 New Hanover County collected \$2.6 million from its 3% current occupancy tax. Wilmington is the largest municipality in the county, comprising approximately 50% of the population and industry in the area. The Cape Fear Coast Convention and Visitor's Bureau reports 7,365 rental units in New Hanover County, which includes 3,567 units in Wilmington. Thus, it is assumed that a Wilmington room tax would generate half of the revenue generated under the county tax at the same tax rate.

Fiscal Research typically increases occupancy tax estimates at an annual rate of 4%. However, a modest 1% annual growth rate is projected in Wilmington due to the fluctuating tourism industry in the area. Recent county annual revenues have increased (2000) and decreased (1999 and 2001) based on vacation trends, severe weather, and the economic situation in the country. Actual growth will vary depending on the economic recovery and local development and planning activities.

NOTE: The estimate for fiscal year 2002-03 assumes only five months of collections, as the bill specifics that the tax cannot be levied until February 1, 2003.

SOURCES OF DATA: Cape Fear Coast Convention and Visitor's Bureau; UNC-Wilmington Center for Business and Economic Services; New Hanover County Finance Division; City of Wilmington.

FISCAL RESEARCH DIVISION: (919) 733-4910

PREPARED BY: Linda Struyk Millsaps, and Stephanie Schmitt

APPROVED BY: James D. Johnson

DATE: September 19, 2002



Signed Copy Located in the NCGA Principal Clerk's Offices